

OAK PARK SCHOOL DISTRICT
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2007

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Oak Park School District
Oak Park, Michigan

August 27, 2007

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oak Park School District, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Oak Park School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Oak Park School District as of June 30, 2007 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Education
Oak Park School District
Oak Park, Michigan

August 27, 2007

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2007, on our consideration of Oak Park School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages vi through xii and 24, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oak Park School District's basic financial statements. The additional information on pages 26 to 32 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maner, Costinison & Ellis, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

During the 2006-07 fiscal year, the District continued to present Governmental Accounting Standards Board (GASB) Statement #34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. This section of the Oak Park School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2007.

FINANCIAL HIGHLIGHTS

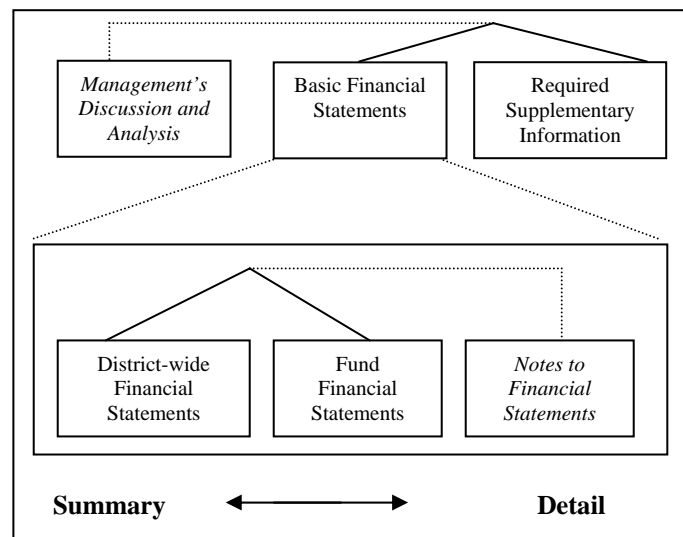
- Revenues slightly increased to \$50.6 million. Expenditures increased 3.8 percent to \$49.4 million.
- General Fund revenues were \$45.3 million, \$1.1 million more than General Fund expenditures and transfers.
- State Aid Foundation Allowance increased by \$210 to \$8,104 per student.
- The District's fall student count increased from 3,575 students to 4,263 students, an increase of 688 students from last year.
- The total taxable value of property in the District increased 2.29 percent. The three-year average for taxable value increases remains strong at 4.02 percent.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

Figure A-1
Organization of the Oak Park School
District's Annual Financial Report



The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 Major Features of District-Wide and Fund Financial Statements			
Scope	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, Oak Park School District's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarized the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities:

- Governmental activities – Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like school lunch and athletics).

The District has two kinds of funds:

- Governmental funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explains the relationship (or differences) between them.
- Fiduciary funds - The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets - The District's *combined* net income for the year was \$4,385,435. The prior year had net loss of (\$2,216,357).

Statement of Net Assets		
Table A-3		
	2007	2006
Current and other assets	\$ 13,255,823	\$ 12,084,422
Capital assets, net of depreciation	13,355,959	12,004,187
Total assets	26,611,782	24,088,609
Current liabilities	13,223,853	12,535,092
Long-term debt outstanding	4,788,684	7,339,707
Total liabilities	18,012,537	19,874,799
Net assets:		
Invested in capital assets, net of related debt	7,906,010	4,452,053
Restricted	2,988,820	3,056,292
Unrestricted	(2,295,585)	(3,294,535)
Total net assets	\$ 8,599,245	\$ 4,213,810

Changes in Net Assets		
Table A-4		
	2007	2006
Revenues:		
Program revenues:		
Charges for services	\$ 612,501	\$ 594,766
Federal and state categorical grants	11,883,520	11,190,276
General revenues:		
Property taxes	9,586,529	9,631,335
State aid - unrestricted	26,646,010	21,315,453
Other	1,373,492	1,196,764
Total revenues	50,102,052	43,928,594
Expenses:		
Instruction	26,295,964	27,520,731
Support services	16,421,931	15,182,823
Community services	458,109	617,964
Food services	1,180,439	1,265,923
Athletics	456,390	325,698
Interest on long-term debt	190,008	251,872
Unallocated depreciation	713,776	979,940
Total expenses	45,716,617	46,144,951
Change in net assets	\$ 4,385,435	\$ (2,216,357)

District Governmental Activities

The District seeks a balance between maximizing resources for the education of our students and maintaining the long-term financial health of the District. The governmental activities mirror that goal. Our support services seek to be efficient at providing the necessary safe, orderly, and positive learning environment so that more dollars are available for the direct instruction of students. Our before-and-after-care program and our school breakfast and lunch program seek to be self-supporting and cost effective.

- The state per pupil foundation allowance increased by \$210 to \$8,104.
- Food Service increased fund balance by \$156,883 on revenues of \$1,137,322 and on operating transfer from the general fund of \$200,000.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported *combined* fund balances of \$2.4 million.

The General Fund's fund balance increased \$1,160,134 to a \$797,260 deficit.

General Fund Budgetary Highlights

The District is required to adopt an operating budget prior to the start of the fiscal year. Certain information is not known at the time of budget adoption, such as the amount of state aid, the actual number of students and the cost of employee contracts, and must be estimated or projected. Over the course of the budget year, the District revises the annual operating budget several times. For fiscal year 2006-07, these budget amendments included:

- Changes adopted during the fiscal year to account for final enrollment counts, changes in assumptions since the original budget was adopted.

The District historically used a budgetary concept called budget variance. Original budget was adopted with the assumption that a favorable budget variance would exist at year-end. Budget adjustments made in December 2006 and June of 2007 was constructed to more closely match actual versus budgeted revenues and expenditures. Actual budget variance at year-end June 30, 2007 was 2.6 percent of total budgeted expenses.

While the District's final budget for the general fund, net of the unfavorable budget variance, anticipated that revenues would exceed expenditures by \$2,706, the actual results for the year show a \$1,160,134 million increase or a variance of \$1,157,428.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2007, the District had invested \$13 million in a broad range of capital assets, including school buildings, athletic and support facilities, computer and transportation equipment. This amount represents a net increase of \$1,351,772 from last year. (More detailed information about capital assets can be found in Note 5 to the financial statements.) Total depreciation expense for the year was \$713,776.

Capital Assets		
Table A-5		
	2007	2006
Land	\$ 341,499	\$ 341,499
Buildings and additions	17,830,169	16,473,166
Site improvements	907,215	886,065
Transportation equipment	1,246,763	1,246,763
Furniture and equipment	4,030,749	3,659,610
Construction in process	316,256	
Subtotal	24,672,651	22,607,103
Accumulated depreciation	11,316,692	10,602,916
Total	<u>\$ 13,355,959</u>	<u>\$ 12,004,187</u>

Long-term Debt

At year-end the District had \$7 million in general obligation bonds and other long-term debt outstanding - a net decrease of 25 percent from last year. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

- The District continued to pay down its debt, retiring \$1.93 million of outstanding bonds.

Outstanding Long-term Debt		
Table A-6		
	2007	2006
General obligation debts		
(financed with property taxes)	\$ 4,045,000	\$ 5,975,000
Limited obligation bonds	809,707	809,707
Compensated absences	1,578,445	1,452,094
Capital leases	595,242	767,427
Claims and judgments		400,000
Total	<u>\$ 7,028,394</u>	<u>\$ 9,404,228</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of two existing circumstances that could significantly affect its financial health in the future:

- Student enrollment projections continue to be a concern for the District. An aggressive marketing campaign was also launched for the Spring of 2006 and 2007. Enrollment has increased by over 600 students since this initiative was implemented. Maintaining current enrollment levels and possibly increasing enrollment for the second consecutive year remains uncertain. The 2007-08 budget was built on revenue for 4,300 students but staffing for 4,110 students because of the drop in student enrollment after the Fall count.
- Uncertain economic times for the State of Michigan could cause to reduce the per-pupil foundation allowance of \$8,104 per student. No increase or decreased was budgeted for the 2007-08 school year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Administrative Offices, Oak Park School District, 13900 Granzon, Oak Park, Michigan 48237.

**OAK PARK SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007**

	Governmental activities
ASSETS	
CURRENT ASSETS:	
Cash	\$ 7,283,910
Receivable from governmental units	5,958,937
Inventories	12,976
TOTAL CURRENT ASSETS	13,255,823
NONCURRENT ASSETS:	
Capital assets	24,672,651
Less accumulated depreciation	(11,316,692)
TOTAL NONCURRENT ASSETS	13,355,959
TOTAL ASSETS	\$ 26,611,782
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Checks written against future deposits	\$ 10,478
Accounts payable	773,187
Note payable	7,400,000
Accrued interest	382,651
Accrued salaries and related items	2,367,946
Deferred revenue	49,881
Current portion of long-term obligations	2,174,710
Current portion of compensated absences and severance benefits	65,000
TOTAL CURRENT LIABILITIES	13,223,853
NONCURRENT LIABILITIES:	
Noncurrent portion of long-term obligations	3,275,239
Noncurrent portion compensated absences and severance benefits	1,513,445
TOTAL NONCURRENT LIABILITIES	4,788,684
TOTAL LIABILITIES	18,012,537
NET ASSETS:	
Invested in capital assets, net of related debt	7,906,010
Restricted for debt service	432,878
Restricted - capital projects (sinking fund)	2,555,942
Unrestricted deficit	(2,295,585)
TOTAL NET ASSETS	8,599,245
TOTAL LIABILITIES AND NET ASSETS	\$ 26,611,782

**OAK PARK SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 26,295,964	\$	\$ 9,532,844	\$ (16,763,120)
Support services	16,421,931		1,516,749	(14,905,182)
Community services	458,109	263,025		(195,084)
Food services	1,180,439	333,316	804,006	(43,117)
Athletics	456,390	16,160		(440,230)
Interest on long-term debt	190,008		29,921	(160,087)
Unallocated depreciation	713,776			(713,776)
Total governmental activities	<u>\$ 45,716,617</u>	<u>\$ 612,501</u>	<u>\$11,883,520</u>	<u>(33,220,596)</u>
General revenues:				
Property taxes, levied for general purposes				5,638,045
Property taxes, levied for debt service				2,265,147
Property taxes, levied for sinking fund				1,683,337
Investment earnings				279,792
State sources				26,646,010
Other				1,093,700
Total general revenues				<u>37,606,031</u>
CHANGE IN NET ASSETS				4,385,435
NET ASSETS, beginning of year				<u>4,213,810</u>
NET ASSETS, end of year				\$ 8,599,245

OAK PARK SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General fund	Sinking fund	Other nonmajor governmental funds	Total governmental funds
ASSETS				
ASSETS:				
Cash	\$ 3,738,333	\$ 2,948,736	\$ 596,841	\$ 7,283,910
Receivables:				
Other governmental units	5,856,928	764	101,245	5,958,937
Due from other funds	11,461			11,461
Inventories			12,976	12,976
TOTAL ASSETS	\$ 9,606,722	\$ 2,949,500	\$ 711,062	\$ 13,267,284

LIABILITIES AND FUND BALANCES

LIABILITIES:				
Checks written against future deposits	\$	\$	\$ 10,478	\$ 10,478
Accounts payable	354,758	382,097	36,332	773,187
Accrued salaries and related items	2,367,946			2,367,946
Accrued interest	231,397			231,397
Deferred revenue	49,881			49,881
Note payable	7,400,000			7,400,000
Due to other funds		11,461		11,461
TOTAL LIABILITIES	10,403,982	393,558	46,810	10,844,350

	General fund	Sinking fund	Other nonmajor governmental funds	Total governmental funds
FUND BALANCES (DEFICIT):				
Reserved for debt service	\$	\$	\$ 584,132	\$ 584,132
Designated for subsequent year's expenditures		2,555,942		2,555,942
Undesignated, unreserved	(797,260)		80,120	(717,140)
TOTAL FUND BALANCES (DEFICIT)	(797,260)	2,555,942	664,252	2,422,934
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 9,606,722	\$ 2,949,500	\$ 711,062	\$ 13,267,284
Total governmental fund balances				\$ 2,422,934

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds:

The cost of the capital assets is
Accumulated depreciation is

\$ 24,672,651
(11,316,692)

13,355,959

Long-term liabilities are not due and payable in the current period and are not reported in the funds:

Bonds payable (4,854,707)
Capital lease payable (595,242)
Compensated absences (1,578,445)
Accrued interest is not included as a liability in government funds, it is recorded when paid (151,254)

Net assets of governmental activities \$ 8,599,245

OAK PARK SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General fund	Sinking fund	Other nonmajor governmental funds	Total governmental funds
REVENUES:				
Local sources:				
Property taxes	\$ 5,638,045	\$ 1,683,337	\$ 2,265,147	\$ 9,586,529
Community services and tuition	263,025			263,025
Investment income	91,610	149,643	38,539	279,792
Other	1,093,700		349,476	1,443,176
Total local sources	7,086,380	1,832,980	2,653,162	11,572,522
State sources	30,118,726		76,580	30,195,306
Federal sources	4,642,438		727,426	5,369,864
Intermediate sources	3,465,846			3,465,846
Total revenues	45,313,390	1,832,980	3,457,168	50,603,538
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	19,013,836			19,013,836
Added needs	6,081,513			6,081,513
Adult and community education	1,499,534			1,499,534
Total instruction	26,594,883			26,594,883
Support services:				
Pupil	2,274,645			2,274,645
Instructional staff	1,758,002			1,758,002
General administration	1,065,493			1,065,493
School administration	1,890,850			1,890,850
Operations and maintenance	5,577,646			5,577,646
Pupil transportation services	1,647,700			1,647,700
EXPENDITURES (Concluded):				
Current (Concluded):				
Support services (Concluded):				
Central	\$ 1,000,230	\$	\$	\$ 1,000,230
Business	1,335,698			1,335,698
Total support services	16,550,264			16,550,264
Athletics			456,390	456,390
Community services	458,109			458,109
Food service			1,180,439	1,180,439
Capital outlay		2,084,130		2,084,130
Debt service:				
Principal retirement			1,930,000	1,930,000
Interest and fiscal charges			184,863	184,863
Total expenditures	43,603,256	2,084,130	3,751,692	49,439,078
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,710,134	(251,150)	(294,524)	1,164,460
OTHER FINANCING SOURCES (USES):				
Operating transfers in			550,000	550,000
Operating transfers out	(550,000)			(550,000)
Total other financing sources (uses)	(550,000)		550,000	
NET CHANGE IN FUND BALANCES	1,160,134	(251,150)	255,476	1,164,460
FUND BALANCES (DEFICIT):				
Beginning of year	(1,957,394)	2,807,092	408,776	1,258,474
End of year	\$ (797,260)	\$ 2,555,942	\$ 664,252	\$ 2,422,934

See notes to financial statements.

**OAK PARK SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

Net change in fund balances total governmental funds	\$ 1,164,460
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities.

These costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(713,776)
Capital outlay	2,065,548

Accrued interest on bonds is recorded in the statement of activities

when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of the year	146,109
Accrued interest payable, end of the year	(151,254)

Proceeds and repayments of principal on long-term debt are other financing

sources and expenditures in the governmental funds, but not in the statement of activities

(where they are additions and reductions of liabilities)

Repayment of principal on long-term debt	2,102,185
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Claims and judgements are reported on the statement of activities when incurred:

they are not recorded in the government funds until it is paid	400,000
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Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and is not considered available:

Deferred revenue, beginning of the year	(501,486)
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Compensated absences are reported on the accrual method in the statement of activities,

and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued compensated absences and severance benefits, beginning of the year	1,452,094
Accrued compensated absences and severance benefits, end of the year	<u>(1,578,445)</u>

Change in net assets of governmental activities	<u><u>\$ 4,385,435</u></u>
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**OAK PARK SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2007**

	<u>Agency</u>
ASSETS	
Cash	<u>\$ 64,143</u>
LIABILITIES	
Due to student groups	<u>\$ 64,143</u>

OAK PARK SCHOOL DISTRICT NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Oak Park School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Oak Park School District (the "District") is governed by the Oak Park School District's Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14 and 39.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

**OAK PARK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenue.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *capital projects sinking fund* accounts for the receipt of sinking fund millage proceeds and the acquisition of fixed assets or construction of capital projects. The District has complied with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95 relating to sinking funds.

**OAK PARK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Concluded)

Other Non-major Funds

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *debt service funds* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects* fund accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

**OAK PARK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007, the foundation allowance was based on pupil membership counts taken in February and September of 2006.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2006 to August 2007. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Categorical funds which are not expended by the close of the fiscal year are recorded as deferred revenue.

For the year ended June 30, 2007, approximately \$520,000 of non cash transactions from the Michigan Department of Education (MDE) has been recorded as state aid revenue and pension expenditures as a result of a change in funding by the MDE.

**OAK PARK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2007, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-homestead	18.0000
Debt service fund-Homestead and non-homestead	3.9700
Sinking fund-Homestead and non-homestead	2.9197

**OAK PARK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

3. Inventories and prepaid expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

5. Capital assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and building improvements	20 - 53 years
Buses and other vehicles	2 - 17 years
Furniture and other equipment	5 - 20 years

The District’s capitalization policy is to capitalize individual amounts exceeding \$5,000.

**OAK PARK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Other Accounting Policies (Concluded)

6. Compensated absences

The District's contracts generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

7. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method, which approximates the effective interest method, over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**OAK PARK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Significant encumbrances outstanding at year end, if any, are reported as reservations of fund balance because they will be re-appropriated in the subsequent fiscal year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, for the general fund are noted in the required supplementary information section.
4. The Executive Director for Business and Finance is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2007. The District does not consider these amendments to be significant.

**OAK PARK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS - CREDIT RISK

Disclosure of the District's investment position at June 30, 2007 is not significant.

Interest rate risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limits its choices.

Concentration of credit risk. The District places no limit on the amount the District may invest in any one issuer.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2007, \$8,349,729 of the District's bank balance of \$8,774,981 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. Included in the above figures are certificates of deposits of \$264,175.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

**OAK PARK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - RECEIVABLES

Receivables at June 30, 2007 consist of the following:

Other governmental units:

State aid	\$ 5,011,969
Oakland County	666,688
Federal government	273,470
Intermediate sources and other	<u>6,810</u>
	<u><u>\$ 5,958,937</u></u>

No allowance for doubtful accounts is considered necessary based on previous experience.

NOTE 5 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Assets not being depreciated:				
Land	\$ 341,499	\$	\$	\$ 341,499
Other capital assets:				
Buildings and additions	16,473,166	1,357,003		17,830,169
Site improvements	886,065	21,150		907,215
Transportation equipment	1,246,763			1,246,763
Furniture and equipment	3,659,610	371,139		4,030,749
Construction in process		316,256		316,256
Subtotal	<u>22,265,604</u>	<u>2,065,548</u>		<u>24,331,152</u>
Accumulated depreciation:				
Buildings and additions	7,183,296	423,290		7,606,586
Site improvements	293,466	35,971		329,437
Transportation equipment	982,164	71,680		1,053,844
Furniture and equipment	2,143,990	182,835		2,326,825
Total accumulated depreciation	<u>10,602,916</u>	<u>713,776</u>		<u>11,316,692</u>
Net capital assets being depreciated	<u>11,662,688</u>	<u>1,351,772</u>		<u>13,014,460</u>
Net governmental capital assets	<u><u>\$ 12,004,187</u></u>	<u><u>\$ 1,351,772</u></u>	<u><u>\$</u></u>	<u><u>\$ 13,355,959</u></u>

**OAK PARK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - CAPITAL ASSETS (Concluded)

Depreciation for the fiscal year ended June 30, 2007 amounted to \$713,776. The District allocated depreciation to the various activities as follows:

Unallocated	<u><u>\$ 713,776</u></u>
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Unallocated depreciation represents the assets that serve multiple functions and thus it would be impractical to allocate the depreciation.

NOTE 6 - NOTE PAYABLE

At June 30, 2007, the District has a note payable outstanding of \$4,100,000. The note has an interest rate of 3.68% and matures August 20, 2007. The note is secured by the full faith and credit of the District as well as pledged state aid.

Balance June 30, 2006	Additions	Payments	Balance June 30, 2007
<u><u>\$ 4,100,000</u></u>	<u><u>\$ 7,400,000</u></u>	<u><u>\$ 4,100,000</u></u>	<u><u>\$ 7,400,000</u></u>

The District has approved a note payable of \$9,100,000 for the fiscal year ending June 30, 2008.

**OAK PARK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of long term obligations for the District for the year ended June 30, 2007:

	General obligation bonds	Limited obligations bonds	Compensated absences and severance benefits	Capital leases	Claims and judgments	Total
Balance July 1, 2006	\$ 5,975,000	\$ 809,707	\$ 1,452,094	\$767,427	\$ 400,000	\$9,404,228
Additions			126,351			126,351
Deletions	<u>(1,930,000)</u>			<u>(172,185)</u>	<u>400,000</u>	<u>(1,702,185)</u>
Balance June 30, 2007	4,045,000	809,707	1,578,445	595,242		7,028,394
Less current portion	<u>(1,995,000)</u>		<u>(65,000)</u>	<u>(179,710)</u>		<u>(2,239,710)</u>
Total due after one year	<u>\$ 2,050,000</u>	<u>\$ 809,707</u>	<u>\$ 1,513,445</u>	<u>\$415,532</u>	<u>\$</u>	<u>\$4,788,684</u>

**OAK PARK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT (Continued)

Bonds payable at June 30, 2007 is comprised of the following issues:

2003 refunding serial bonds due in annual installments of \$1,485,000 to \$1,555,000 through May 1, 2009 with interest at 3.00%	\$ 3,040,000
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2004 refunding serial bonds due in annual installments of \$495,000 to \$510,000 through May 1, 2009 with interest from 2.50% to 2.75%	1,005,000
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1998 limited obligation bonds (Durant bonds) due in annual installments of \$76,318 to \$473,788 through May 15, 2013, with interest at 4.76%. Certain state aid payments have been pledged as security.	<u>809,707</u>
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Total bonded debt	4,854,707
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Capital leases - May 2005 28 copiers. At the end of the lease agreement, the District will own the copiers. Monthly installments of \$11,706 through May 18, 2010, with interest at 4.16%.	385,172
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Capital leases - May 2006 phone system. At the end of the lease agreement, the District will own the phone equipment. Monthly installments of \$5,116 through April 1, 2011, with interest at 4.58%.	<u>210,070</u>
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Total interest-bearing debt	5,449,949
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Compensated absences and severance benefits	<u>1,578,445</u>
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Total general long-term debt	<u><u>\$ 7,028,394</u></u>
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**OAK PARK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT (Concluded):

The annual requirements to amortize long-term obligations outstanding exclusive of compensated absences payments as of June 30, 2007, including interest of \$443,674 are as follows:

Year ending June 30,	Principal	Interest	Total
2008	\$ 2,174,710	\$ 139,715	\$ 2,314,425
2009	2,313,882	94,542	2,408,424
2010	264,006	22,447	286,453
2011	517,698	174,040	691,738
2012	87,738	8,554	96,292
2013	91,915	4,376	96,291
	<u>\$ 5,449,949</u>	<u>\$ 443,674</u>	<u>\$ 5,893,623</u>

The Durant bonds, including interest, was issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

Interest expense (all funds) for the year ended June 30, 2007 was \$213,540.

In prior years, the District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2007, approximately \$6,220,000 of bonds outstanding are considered defeased.

**OAK PARK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2007 are as follows:

Receivable fund		Payable fund	
General fund	\$ 11,461	Sinking fund	\$ 11,461

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

**OAK PARK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Concluded)

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. For the year ended June 30, 2007, the rate was 16.34% of payroll through October 1, 2006 and increased to 17.74% for the remainder of the fiscal year. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2007, 2006 and 2005 were \$4,095,649, \$3,698,650 and \$3,463,419, respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

Other Post-employment Benefits - Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2007 or any of the prior three years.

NOTE 11 - TRANSFERS

The general fund transferred \$350,000 to the athletic fund and \$200,000 to the food service fund during the current fiscal year. The transfer to the athletic fund and the food service fund was to subsidize operations.

REQUIRED SUPPLEMENTARY INFORMATION

**OAK PARK SCHOOL DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2007**

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
REVENUES:				
Local	\$ 7,479,935	\$ 6,805,763	\$ 7,086,380	\$ 280,617
State sources	24,969,568	30,026,014	30,118,726	92,712
Federal sources	4,763,614	4,949,216	4,642,440	(306,776)
Intermediate sources	2,675,000	3,372,119	3,465,844	93,725
Total revenues	39,888,117	45,153,112	45,313,390	160,278
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	15,868,369	19,483,855	19,013,836	470,019
Added needs	7,167,160	6,229,523	6,081,513	148,010
Adult and community education	1,300,045	1,431,853	1,499,534	(67,681)
Total instruction	24,335,574	27,145,231	26,594,883	550,348
Support services:				
Pupil	1,816,593	2,378,038	2,274,645	103,393
Instructional staff	1,706,611	1,825,597	1,758,002	67,595
General administration	591,750	1,105,250	1,065,493	39,757
School administration	1,742,109	1,931,619	1,890,850	40,769
Operations and maintenance	5,105,647	5,903,722	5,577,646	326,076
Pupil transportation services	1,206,700	1,649,120	1,647,700	1,420
Central	630,375	967,625	1,000,230	(32,605)
Business	938,312	1,157,316	1,335,698	(178,382)
Total support services	13,738,097	16,918,287	16,550,264	368,023
Community services	486,162	536,888	458,109	78,779
Total expenditures	38,559,833	44,600,406	43,603,256	997,150
EXCESS OF REVENUES OVER EXPENDITURES	1,328,284	552,706	1,710,134	1,157,428
OTHER FINANCING SOURCES (USES):				
Operating transfers out	(600,000)	(550,000)	(550,000)	
NET CHANGE IN FUND BALANCE	<u>\$ 728,284</u>	<u>\$ 2,706</u>	1,160,134	<u>\$ 1,157,428</u>
FUND BALANCE (DEFICIT):				
Beginning of year			(1,957,394)	
End of year			<u>\$ (797,260)</u>	

ADDITIONAL INFORMATION

**OAK PARK SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2007**

		<u>Special revenue</u>		<u>Debt service</u>		<u>Total nonmajor governmental funds</u>
		<u>Food service fund</u>	<u>Athletics fund</u>	<u>2003 refunding</u>	<u>2004 refunding</u>	
ASSETS						
ASSETS:						
Cash and cash equivalents		\$	\$ 13,748	\$ 401,171	\$ 181,922	\$ 596,841
Receivables:						
Other governmental units		100,206		756	283	101,245
Inventories		12,976				12,976
TOTAL ASSETS		<u>\$ 113,182</u>	<u>\$ 13,748</u>	<u>\$ 401,927</u>	<u>\$ 182,205</u>	<u>\$ 711,062</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Checks written against future deposits		\$ 10,478	\$	\$	\$	\$ 10,478
Accounts payable		35,882	450			36,332
TOTAL LIABILITIES		<u>46,360</u>	<u>450</u>			<u>46,810</u>
FUND BALANCES:						
Reserved for debt service				401,927	182,205	584,132
Undesignated		66,822	13,298			80,120
TOTAL FUND BALANCES		<u>66,822</u>	<u>13,298</u>	<u>401,927</u>	<u>182,205</u>	<u>664,252</u>
TOTAL LIABILITIES AND FUND BALANCES		<u>\$ 113,182</u>	<u>\$ 13,748</u>	<u>\$ 401,927</u>	<u>\$ 182,205</u>	<u>\$ 711,062</u>

**OAK PARK SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2007**

	<u>Special revenue</u>		<u>Debt service</u>		<u>Total nonmajor governmental funds</u>
	<u>Food service fund</u>	<u>Athletics fund</u>	<u>2003 refunding</u>	<u>2004 refunding</u>	
REVENUES:					
Local sources:					
Property taxes	\$	\$	\$ 1,649,578	\$ 615,569	\$ 2,265,147
Investment income			24,032	14,507	38,539
Other	333,316	16,160			349,476
Total local sources	333,316	16,160	1,673,610	630,076	2,653,162
State sources	76,580				76,580
Federal sources	727,426				727,426
Total revenues	1,137,322	16,160	1,673,610	630,076	3,457,168
EXPENDITURES:					
Current :					
Athletics		456,390			456,390
Food service	1,180,439				1,180,439
Principal retirement			1,385,000	545,000	1,930,000
Interest and fiscal charges			147,100	37,763	184,863
Total expenditures	1,180,439	456,390	1,532,100	582,763	3,751,692
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(43,117)	(440,230)	141,510	47,313	(294,524)
OTHER FINANCING SOURCES:					
Operating transfers in	200,000	350,000			550,000
NET CHANGE IN FUND BALANCES	156,883	(90,230)	141,510	47,313	255,476
FUND BALANCES:					
Beginning of year	(90,061)	103,528	260,417	134,892	408,776
End of year	\$ 66,822	\$ 13,298	\$ 401,927	\$ 182,205	\$ 664,252

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS - 2003 REFUNDING
YEAR ENDED JUNE 30, 2007**

\$8,410,000 Bonds issued March 7, 2003 for refinancing 1992 debt

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 1,485,000	\$ 45,600	\$ 45,600	2008	\$ 1,576,200
1,555,000	23,325	23,325	2009	1,601,650
<u>\$ 3,040,000</u>	<u>\$ 68,925</u>	<u>\$ 68,925</u>		<u>\$ 3,177,850</u>

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS - 2004 REFUNDING
YEAR ENDED JUNE 30, 2007**

\$2,560,000 Bonds issued March 16, 2004 for refinancing 1994 debt

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 510,000	\$ 13,182	\$ 13,182	2008	\$ 536,364
495,000	6,806	6,806	2009	508,612
<u>\$ 1,005,000</u>	<u>\$ 19,988</u>	<u>\$ 19,988</u>		<u>\$ 1,044,976</u>

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS - 1998 DEBT
1998 SCHOOL IMPROVEMENT BONDS (DURANT)
YEAR ENDED JUNE 30, 2007**

<u>Year ending June 30,</u>	<u>Interest rate</u>	<u>Principal due May 15,</u>	<u>Interest due May 15,</u>	<u>Total</u>
2008	4.76%	\$	\$	\$
2009		76,318	19,982	96,300
2010		79,948	16,349	96,297
2011		473,788	173,223	647,011
2012		87,739	8,554	96,293
2013		91,914	4,376	96,290
		<u>\$ 809,707</u>	<u>\$ 222,484</u>	<u>\$ 1,032,191</u>

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorized the payment of the State Aid Payments directly to the Authority's Depository.

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF CAPITALIZED LEASES
YEAR ENDED JUNE 30, 2007**

\$633,073 capitalized leases dated May 18, 2005

Principal due monthly	Interest due monthly	June 30,	Amount
\$ 126,835	\$ 13,632	2008	\$ 140,467
132,216	8,250	2009	140,466
126,121	2,640	2010	128,761
<u>\$ 385,172</u>	<u>\$ 24,522</u>		<u>\$ 409,694</u>

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF CAPITALIZED LEASES
YEAR ENDED JUNE 30, 2007**

\$514,689 capitalized leases dated May 1, 2006

Principal due monthly	Interest due monthly	June 30,	Amount
\$ 52,875	\$ 8,520	2008	\$ 61,395
55,348	6,047	2009	61,395
57,937	3,458	2010	61,395
43,910	817	2011	44,727
<u>\$ 210,070</u>	<u>\$ 18,842</u>		<u>\$ 228,912</u>

OAK PARK SCHOOL DISTRICT
ADDITIONAL REPORTS REQUIRED BY
OMB CIRCULAR A-133
YEAR ENDED JUNE 30, 2007

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Leon A. Ellis (1933-1988)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education
Oak Park School District
Oak Park, Michigan

August 27, 2007

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oak Park School District as of and for the year ended June 30, 2007, which collectively comprise Oak Park School District's basic financial statements and have issued our report thereon dated August 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oak Park School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Oak Park School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Oak Park School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described as 2007-01 and 2007-02 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, the significant deficiency described above as 2007-01, we consider to be a material weakness.

Compliance and Other matters

As part of obtaining reasonable assurance about whether Oak Park School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Oak Park School District in a separate letter dated August 27, 2007.

Oak Park School's response to the findings identified in our audit are described in the accompanying schedule of findings and response. We did not audit Oak Park School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maner, Costinison & Ellis, P.C.

Certified Public Accountants



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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
Oak Park School District
Oak Park, Michigan

August 27, 2007

Compliance

We have audited the compliance of Oak Park School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Oak Park School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Oak Park School District's management. Our responsibility is to express an opinion on Oak Park School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Oak Park School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Oak Park School District's compliance with those requirements.

In our opinion, Oak Park School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007

Internal Control Over Compliance

The management of Oak Park School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Oak Park School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Oak Park School District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Oak Park School District as of and for the year ended June 30, 2007, and have issued our report thereon dated August 27, 2007. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Oak Park School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maner, Costinison & Ellis, P.C.

Certified Public Accountants

OAK PARK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through project number	Program or award amount	Accrued (deferred) revenue July 1, 2006	(Memo only) prior year expenditures	Current year expenditures	Current year cash/ payments in kind received	Accrued (deferred) revenue June 30, 2007
U.S. DEPARTMENT OF AGRICULTURE								
Passed Through the Michigan Department of Education:								
Food Distribution:	10.550							
Entitlement Commodities			\$ 34,259	\$	\$	\$ 34,259	\$ 34,259	\$
Bonus Commodities			223			223	223	
Total Food Distribution			34,482			34,482	34,482	
Child Nutrition Cluster:								
National School Breakfast Program	10.553	061970	14,731			14,731	14,731	
National School Breakfast Program		071970	98,410			98,410	98,410	
			113,141			113,141	113,141	
National School Lunch Program - Section 4	10.555	061950	10,882			10,882	10,882	
National School Lunch Program - Section 11		061960	71,359			71,359	71,359	
National School Lunch Program - Section 11		071950	70,866			70,866	70,866	
National School Lunch Program - Section 11		071960	426,696			426,696	426,696	
			579,803			579,803	579,803	
Total Child Nutrition Cluster			692,944			692,944	692,944	
TOTAL U.S. DEPARTMENT OF AGRICULTURE			727,426			727,426	727,426	
U.S. DEPARTMENT OF EDUCATION								
Passed Through Michigan Department of Education:								
Title I	84.010							
Title I - Part A Improving Basic Programs (04-05 c/o)		051530-0506	101,319	53,949	101,319		53,949	
Title I - Part A Improving Basic Programs		061530-0506	752,456	186,960	641,980	110,476	297,436	
Title I -ESEA 2% School Improvement		051550-0506	45,000	14,014	45,000		14,014	
Title I - Part A Improving Basic Programs (05-06 c/o)		061530-0607	100,090			100,090	80,154	19,936
Title I - Part A Improving Basic Programs		071530-0607	809,386			625,270	565,307	59,963
Total Title I			1,808,251	254,923	788,299	835,836	1,010,860	79,899

The accompanying notes are an integral part of this schedule.

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through project number	Program or award amount	Accrued (deferred) revenue July 1, 2006	(Memo only) prior year expenditures	Current year expenditures	Current year cash/ payments in kind received	Accrued (deferred) revenue June 30, 2007
U.S. DEPARTMENT OF EDUCATION								
Passed Through Michigan Department of Education:								
Drug Free Schools & Communities:	84.186							
Safe & Drug Free Schools		062860-0506	\$ 9,435	\$ 9,435	\$ 9,435	\$	\$ 9,435	\$
Safe & Drug Free Schools (05-06 c/o)		062860-0607	17,465			17,465	17,465	
Safe & Drug Free Schools		072860-0607	18,392			18,392	18,392	
Total Safe & Drug Free			45,292	9,435	9,435	35,857	45,292	
Title V Innovative Education Grant:	84.298							
Title V - Part A Innovative Programming (04-05 c/o)		050250-0506	1,093	1,093	1,093		1,093	
Title V - Part A Innovative Programs		060250-0506	9,884	5,376	9,884		5,376	
Title V - Part A Innovative Programs (05-06 c/o)		060250-0607	389			389	389	
Title V - Part A Innovative Programs		070250-0607	6,290			6,290	6,290	
Total Title V			17,656	6,469	10,977	6,679	13,148	
Technology Literacy Challenge Grants:	84.318							
Title II - Part D Enhancing Education Through Technology (04-05 c/o)		054290-0506	21,054	21,054	21,053		21,054	
Title II - Part D Enhancing Education Through Technology		064290-0506	12,012	12,012	10,420		12,012	
Title II - Part D Enhancing Education Through Technology (05-06 c/o)		064290-0607	1,883			1,871		1,871
Title II - Part D Enhancing Education Through Technology		074290-0607	8,223			1,318	1,318	
Total Title II Part D			43,172	33,066	31,473	3,189	34,384	1,871
Reading First State Grants:	84.357							
Reading First State Grants		052930-030402	296,113	296,113			296,113	
Reading First State Grants		052930-0506	225,000	33,184	225,000		33,184	
Reading First State Grants		062930-0607	292,000			292,000	194,094	97,906
Total Reading First State Grants			813,113	329,297	225,000	292,000	523,391	97,906
English Language Acquisition:	84.365							
Title III - Limited English (04-05 c/o)		050580-0506	15,979	15,979	15,979		15,979	
Title III - Limited English		060580-0506	29,976	18,574	24,568	5,408	23,982	
Title III - Limited English		070580-0607	26,472			26,472	26,472	
Total English Language Acquisition			72,427	34,553	40,547	31,880	66,433	

The accompanying notes are an integral part of this schedule.

OAK PARK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through project number	Program or award amount	Accrued (deferred) revenue July 1, 2006	(Memo only) prior year expenditures	Current year expenditures	Current year cash/ payments in kind received	Accrued (deferred) revenue June 30, 2007
U.S. DEPARTMENT OF EDUCATION								
Passed Through Michigan Department of Education:								
Elementary and Secondary Education Hurricane Relief-Katrina 2006	84.938C	064120/1-0506	\$ 7,011	\$ 7,011	\$ 7,011	\$	\$ 7,011	\$
Comprehensive School Reform Demonstration:	84.332							
Comprehensive School Reform Demonstration		051870-0506	55,978	5,503	55,978		5,503	
Comprehensive School Reform Demonstration		061870-0607	112,000			107,839	97,520	10,319
Total Comprehensive School Reform			167,978	5,503	55,978	107,839	103,023	10,319
Improving Teacher Quality:	84.367							
Title II - Part A Teacher/Principal Training and Recruiting (04-05 c/o)		050520-0506	35,826	34,782	29,599		34,782	
Title II - Part A Teacher/Principal Training and Recruiting		060520-0506	267,814	69,564	241,792	26,022	95,586	
Title II - Part A Teacher/Principal Training and Recruiting		070520-0607	271,158			246,777	218,953	27,824
Total Improving Teacher Quality			574,798	104,346	271,391	272,799	349,321	27,824
Total Passed Through the Michigan Department of Education			3,549,698	784,603	1,440,111	1,586,079	2,152,863	217,819
Passed Through Wayne State University:								
Michigan Preschoolers Acquiring Language and Literacy:	84.359							
Early Reading First		WSU05022-0506	129,035	58,081	107,053		58,081	
Early Reading First		WSU05022-0607	118,903			68,497	48,200	20,297
Total Early Reading First			247,938	58,081	107,053	68,497	106,281	20,297
Total Passed Through Wayne State University			247,938	58,081	107,053	68,497	106,281	20,297
Passed Through Oakland County Intermediate School District:								
Special Education Cluster:								
Special Education - Grants to States:	84.027							
Flow Through (04-05 yr 2)		050450-0506	221,678	130,385	221,678		130,385	
Flow Through (05-06 yr 1)		060450-0506	509,971	374,949	459,270		374,949	
Flow Through (05-06 yr 2)		060450-0607	61,752	11,052		50,701	61,753	
Flow Through (06-07 yr 1)		070450-0607	503,259			503,259	461,282	41,977
Total Special Education - Grants to States			1,296,660	516,386	680,948	553,960	1,028,369	41,977

The accompanying notes are an integral part of this schedule.

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through project number	Program or award amount	Accrued (deferred) revenue July 1, 2006	(Memo only) prior year expenditures	Current year expenditures	Current year cash/ payments in kind received	Accrued (deferred) revenue June 30, 2007
<u>U.S. DEPARTMENT OF EDUCATION</u>								
Special Education - Preschool Grants:	84.173							
Preschool Incentive (04-05 yr 2)		050460-0506	\$ 12,841	\$ 12,841	\$ 12,841	\$	\$ 12,841	\$
Preschool Incentive (05-06 yr 1)		060460-0506	16,061	2,261	2,261		2,261	
Preschool Incentive (05-06 yr 2)		060460-0607	13,800			13,800	13,800	
Preschool Incentive (06-07 yr 1)		070460-0607	19,987			19,987	19,779	208
Total Special Education - Preschool Grants			62,689	15,102	15,102	33,787	48,681	208
Total Special Education Cluster			1,359,349	531,488	696,050	587,747	1,077,050	42,185
Transition Grant 06-07	84.027A		550			542	542	
Passed Through Oakland County Intermediate School District:								
Vocational Education - Basic Grants to States:	84.048A							
Perkins Secondary Regional Allocation		063520/6012-18	14,612	3,790	13,212		3,790	
Perkins Secondary Regional Allocation 06-07		073520/7012-18	17,087			17,087	8,080	9,007
Total Vocational Education - Basic Grants to States			31,699	3,790	13,212	17,087	11,870	9,007
Total Passed Through Oakland Intermediate School District			1,391,598	535,278	709,262	605,376	1,089,462	51,192
TOTAL U.S. DEPARTMENT OF EDUCATION			5,189,234	1,377,962	2,256,426	2,259,952	3,348,606	289,308
<u>U.S. EMPLOYMENT & TRAINING ADMINISTRATION</u>								
Passed Through Oakland County:								
Workforce Investment Act Cluster:	17.260							
Workforce Investment Act - One Stop Delivery (06-07)			53,228			53,228	20,049	33,179
Workforce Investment Act - One Stop Delivery (05-06)			34,213	10,635	34,213		10,635	
Total WIA - One Stop Delivery			87,441	10,635	34,213	53,228	30,684	33,179
Administrative Cost Pool:	17.260							
Administrative Cost Pool (06-07)			35,000			35,000	32,926	2,074
Administrative Cost Pool (05-06)			32,265	7,163	32,265		7,163	
Total WIA - Adminisitrative Cost Pool			67,265	7,163	32,265	35,000	40,089	2,074

The accompanying notes are an integral part of this schedule.

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through project number	Program or award amount	Accrued (deferred) revenue July 1, 2006	(Memo only) prior year expenditures	Current year expenditures	Current year cash/ payments in kind received	Accrued (deferred) revenue June 30, 2007
U.S. EMPLOYMENT & TRAINING ADMINISTRATION								
Passed Through Oakland County:								
Workforce Investment Act - Adult (06-07)	17.258	adult	\$ 315,197	\$	\$	\$ 315,197	\$ 252,392	\$ 62,805
Workforce Investment Act - Adult (05-06)			225,753	82,315	225,753		82,315	
Total WIA - Adult			540,950	82,315	225,753	315,197	334,707	62,805
Workforce Investment Act - Youth (06-07)	17.259		104,000			104,000	77,667	26,333
Workforce Investment Act - Youth (05-06)			65,528	4,785	65,528		4,785	
Total WIA - Youth			169,528	4,785	65,528	104,000	82,452	26,333
Incumbent Worker:	17.260							
Incumbent Worker (06-07)			57,393			57,393	23,155	34,238
Incumbent Worker (05-06)			117,971	53,550	117,791		53,550	
Total WIA - Incumbent Worker			175,364	53,550	117,791	57,393	76,705	34,238
Workforce Investment Act - Dislocated Worker (06-07)	17.260	dislocated worker	316,001			316,001	237,186	78,815
Workforce Investment Act - Dislocated Worker (05-06)			262,563	63,402	262,563		63,402	
Total WIA - Dislocated Worker			578,564	63,402	262,563	316,001	300,588	78,815
Total Workforce Investment Act Cluster			1,619,112	221,850	738,113	880,819	865,225	237,444
Employment Services:	17.207							
Employment Services (06-07)			231,001			231,001	211,377	19,624
Employment Services (05-06)			259,896	36,334	259,896		36,334	
Total Employment Services			490,897	36,334	259,896	231,001	247,711	19,624
Re-employment Services:	17.207							
Re-employment Services (05-06)		re-employment	17,932	10,316	17,932		10,316	
TOTAL U.S. EMPLOYMENT & TRAINING ADMINISTRATION			2,127,941	268,500	1,015,941	1,111,820	1,123,252	257,068

The accompanying notes are an integral part of this schedule.

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through project number	Program or award amount	Accrued (deferred) revenue July 1, 2006	(Memo only) prior year expenditures	Current year expenditures	Current year cash/ payments in kind received	Accrued (deferred) revenue June 30, 2007
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Passed through Oakland County:								
Work First:	93.558							
Work First (06-07)			\$ 253,022	\$	\$	\$ 253,022	\$ 231,151	21,871
Work First (05-06)			285,850	35,535	285,446		35,535	
Total Work First			538,872	35,535	285,446	253,022	266,686	21,871
Total Passed Through Oakland County			538,872	35,535	285,446	253,022	266,686	21,871
Passed through the Oakland/Livingston Human Services Agency:								
Head Start:	93.600							
Head Start 2006		CFS HS 06 053	374,527	190,451	190,451	184,077	374,528	
Head Start 2007		CFS HS 07 016	380,145			209,619	141,882	67,737
Total Head Start			754,672	190,451	190,451	393,696	516,410	67,737
Passed through Oakland Intermediate School District:								
Transportation	93.778		4,820			4,820	4,820	
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			1,298,364	225,986	475,897	651,538	787,916	89,608
MICHIGAN DEPARTMENT OF COMMUNITY HEALTH								
Passed through Michigan Department of Community Health:								
Medicaid	93.778		130,288			130,288	130,288	
TOTAL FEDERAL AWARDS			\$ 9,473,253	\$ 1,872,448	\$ 3,748,264	\$ 4,881,024	\$ 6,117,488	\$ 635,984

The accompanying notes are an integral part of this schedule.

**OAK PARK SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

NOTES:

1. Basis of presentation - The accompanying schedule of expenditures of federal awards includes the grant activity of Oak Park School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.
2. The following programs were audited as major programs:
 - Title I, CFDA #84.010
 - Special Education Cluster, CFDA #84.027 and #84.173
 - Workforce Investment Act Cluster CFDA #17.258, #17.259 and #17.260
 - Reading First State Grants, CFDA #84.357
3. The threshold for distinguishing Types A and B programs was \$300,000.
4. Management has utilized the Grant Section Auditors' Report (Form R7120) and the Grant Audit Report in preparing the Schedule of Expenditures of Federal Awards.
5. Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	\$ 4,642,438
Other nonmajor governmental funds	<u>727,426</u>
Total per financial statements	5,369,864
Less: deferred revenue for amounts not available in the prior year	<u>488,840</u>
	<u><u>\$ 4,881,024</u></u>

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) that are not considered to be material weakness? X Yes None reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) that are not considered to be material weakness? Yes X None reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

 Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I
84.027 and 84.173	Special Education Cluster
17.258, 17.259 and 17.260	Workforce Investment Act Cluster
84.357	Reading First State Grants

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as a low risk auditee?

 Yes X No

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

Section II – Financial Statement Findings

Finding 2007-1 Material weakness

Criteria

Material adjustments had to be made during the audit.

Condition

Adjustments were not made to accurately reflect the transactions taking place at year end.

Context

Failure to make material adjustments increases the risk that the financial statements will be materially misstated.

Effect

Inaccurate financial information may be used for management decisions and reporting.

Cause

Oversight by the staff and management to record journal entries that properly reflect the transactions that have occurred at year end.

Recommendation

The District should review year end transactions and record journal entries for any transactions not recorded.

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

Finding 2007-2

Finding considered a significant deficiency

Currently, the District's staff prepares the interim and annual financial statements. The annual financial statements for the year ended June 30, 2007, required relatively few audit adjustments, some of which the staff were aware needed to be recorded. Effective for the year ended June 30, 2007, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America. The staff of the District does understand all information included in the annual financial statements; however, we assist in preparing the footnotes to the annual financial statements. We do not recommend any changes to this situation at this time and communicate this as required by professional standards. We believe this meets the definition of a significant deficiency as defined in Statement on Auditing Standard #112.

Client Response

We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF PRIOR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

Finding 2006-01 Material weakness

Condition

During the year, month-end bank reconciliations were not completed in a timely manner.

Recommendation

It is our understanding the District streamlined its banking process which will facilitate the completion of bank reconciliations in a timely manner.

Current Status

The District streamlined its banking process which has facilitated the completion of bank reconciliations in a timely manner.

Finding 2006-02 Reportable Condition - Material weakness

Condition

Of the 70 disbursements specifically selected for transaction testing, supporting documentation could not be located for 6 items. Furthermore, 3 of the 64 documented items did not have proper approvals.

Recommendation

The District should review its record retention policy and filing systems to ensure proper documentation is retained. Also, purchase orders and vendor invoices should be reviewed for proper approval before the disbursements are processed.

Current Status

The District has improved its record retention policy and filing systems and documentation was located for the current year transaction testing.

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF PRIOR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

Finding 2006-03 Reportable Condition

Condition

Payroll is not reviewed and approved for payment in a consistent manner.

Recommendation

Payroll should be reviewed for accuracy before each pay date.

Current Status

Payroll is being reviewed and has improved in accuracy during the current year.

Finding 2006-04 Noncompliance

Condition

Oak Park School District did not obtain semiannual certification for employees charged to the IDEA federal program.

Recommendation

Semiannual certification should be obtained from all employees charged solely to one federal program.

Current Status

The District currently maintains semiannual certification for employees charged to the IDEA federal program.

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF PRIOR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

Finding 2006-05 Noncompliance – Material Weakness

Condition

The District did not maintain documentation of all items charged to federal programs.

Recommendation

The District should review its records retention system and update procedures where necessary to insure proper retention of required documentation.

Current Status

The District has improved procedures where necessary to insure that all documentation for all federal grants is maintained.

**OAK PARK SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
AUGUST 27, 2007
CONTACT PERSON: MARIA BOLEN
OVERSIGHT AGENCY: U.S. DEPARTMENT OF EDUCATION**

Oak Park School District respectfully submits the following corrective action plan for the year ended June 30, 2007.

Auditor: Maner, Costerisan & Ellis, P.C.
544 Cherbourg Drive, Suite 200
Lansing, Michigan 48917-5010

Audit Period: Year ended June 30, 2007

The findings from the June 30, 2007 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

Finding – Financial statement audit

Material weakness 2007-01.

Recommendation: The District should review year end transactions and record journal entries for any transactions not recorded.

Action to be taken: We concur with the recommendation. We will review year end transactions to insure that they are recorded in the proper period.



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Floyd L. Costerisan
Leon A. Ellis (1933-1988)

August 27, 2007

To the Board of Education
Oak Park School District
Oak Park, Michigan

In planning and performing our audit of the financial statements of Oak Park School District for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated August 27, 2007 on the financial statements of Oak Park School District. Our comments are summarized as follows:

Credit Cards

During the course of our audit, we noted that credit card transactions made by the Superintendent are not reviewed by the Board of Education. We recommend that someone on the Board of Education review the Superintendent's credit card charges, as well as expense reimbursements.

Also while reviewing credit cards during the current audit, it was found that not all charges made on school credit cards had supporting receipts for the charges made. When receipts were included for meals, the names of those attending and the business purpose were not included. Obtaining proper documentation with appropriate detail would be crucial if the charges were publicly challenged.

Uncollectible Food Service Receivables

Over the years, the Food Service Program's receivable for unpaid student lunches has grown to approximately \$70,000. For accounting purposes, the receivable is not recorded because of the ultimate collection is not certain. We recommend creating a policy on the amount of a negative balance students can maintain on their school lunch account.

Journal Entries

During the current audit, we noted several journal entries that had little or no supporting documentation. Expanded descriptions and documentation could quickly resolve any issues that arise from the transaction.

Segregation of Duties

Significant improvements have been made in the business office and now that the department is no longer operating in a crisis mode, work assignments should be reviewed. During the process of reviewing work assignments, close attention should be paid to segregation of duties to insure that proper internal controls are maintained.

New Notification Requirements for Related Not-for-Profit Organizations with Gross Receipts of \$25,000 or less Such as Booster Groups and PTO's

The Pension Protection Act of 2006 requires these organizations to file an annual electronic notice for tax periods beginning after December 31, 2006, if these organizations are not required to file Form 990 (or 990-EZ), Return of Organization Exempt From Income Tax because their gross receipts are normally \$25,000 or less.

If they are a section 509(a)(3) supporting organization, generally, they must file a paper or electronic Form 990 (or Form 990-EZ) even if their gross receipts are normally \$25,000 or less. However, if they are a supporting organization of a religious organization and their gross receipts are normally \$5,000 or less they may file an annual electronic notice instead of Form 990 (or Form 990-EZ).

The annual electronic notice is due by the 15th day of the fifth month after the close of their tax period. For example, if their tax period ends on December 31, 2007, the annual electronic notice is due May 15, 2008.

The notice will require these organizations to provide the following information:

- Organization's legal name,
- Any other names your organization uses,
- Organization's mailing address,
- Organization's website address (if applicable),
- Organization's employer identification number (EIN),
- Name and address of a principal officer of your organization.
- Organization's annual tax period,
- Verify that your organization's annual gross receipts are still normally \$25,000 or less, and;
- Indicate if your organization has terminated (is no longer in business).

IRS 403(b) Final Regulations

Intent

The intent of the regulations is to consolidate guidance on §403(b) plans issued since 1964.

Effective Date

These regulations are generally effective for taxable years beginning after December 31, 2008.

Plan documents should be in place December 31, 2008 to be implemented as of January 1, 2009.

Written Plan Document

The IRS is working on a model plan document and guidance for school districts. This should contain the provisions necessary for compliance with the new rules.

A plan may consist of several documents, or make reference to other documents, such as annuity contracts and custodial agreements. The employer must ensure that there are no conflicts or inconsistencies between the documents.

The document must contain eligibility rules, benefits available, limitations, allowable vendors, and time and form distributions.

The document must allocate administrative and compliance responsibilities to the employer and/or designated third parties. The plan may not allocate compliance responsibilities to the participants.

Other Provisions

- Exchange of investment products
- Universal availability
- Distributions
- Terminations

Suggestions

Set up a committee of benefit officials and participants to review the current plan and design the future plan.

Determine if you need a third party administrator (TPA) to administer the plan and create a request for proposal (RFP) for services.

Offer employee education. The IRS is developing this type of information as well as a model plan for school districts.

New Auditing Standards

Recently, 10 new auditing standards have been released and are effective, or will become effective for your June 30, 2008 year end. In reviewing the new standards, they will have an impact on our overall audit approach. The trend is to perform audit procedures utilizing more of a risk based approach. One area which will continue to be emphasized is your internal controls.

New Interpretation Of Deferred Compensation Rules Applicable To Teachers And Similar Employees

In August of 2007, the IRS issued new questions and answers related to deferred compensation which can effect teachers an similar employees.

When employees can elect to defer part of their compensation to a future year, they are generally subject to the rules applicable to deferred compensation under the Internal Revenue Code. These payments could be subject to an additional 20% tax if the specified procedures are not followed. For example, school employees who work 10 months but are paid over 12 months would be deferring compensation into a future year.

These rules are not applicable unless an election must be made. If a school district provides that all employees must spread their pay over 12 months, these rules do not apply.

In order to avoid imposition of extra taxes, the employees must give a written or electronic election to notify the employer that they want to spread out the compensation. This election must be provided before the start of the school year and must be irrevocable. The election must state how the compensation is going to be paid (for example, ratably over the 12 months starting with the beginning of the school year). This election does not need to be made for future years if the arrangement provides that the election will remain in place until the employee elects a change. These rules are effective January 1, 2008. Therefore, they are not applicable until the election for the 2008 - 2009 school year.

Conclusion

We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations.

This report is intended solely for the information and use of Oak Park School District, management, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Maner, Costrison & Ellis, P.C.



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August 27, 2007

To the Board of Education
Oak Park School District
Oak Park, Michigan

We have audited the financial statements of the Oak Park School District for the year ended June 30, 2007, and have issued our report thereon dated August 27, 2007. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with accounting standards generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material error, fraud, or illegal acts may exist and not be detected by us.

In planning and performing our audit, we considered the Oak Park School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the Oak Park School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the Oak Park School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the Oak Park School District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Oak Park School District's compliance with those requirements.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Oak Park School District are described in Note 1 to the financial statements. We noted no transactions entered into by the Oak Park School District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the estimated liability for compensated absences and claims and judgments and estimated fixed asset lives for depreciation.

Management's estimate of the liability of the payout of employee compensated absences upon their retirement is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate lives of capital assets. We evaluated the key factors and assumptions used to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Oak Park School District's financial reporting process (that is, cause future financial statements to be materially misstated). Two audit adjustments were proposed as a result of our audit procedures. Management of the District has reviewed and approved all adjustments. We are required by professional standards to report a material weakness in internal control over financial reporting as a result of these entries.

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Oak Park School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We have discussed SAS #112 and the ability of the District's personnel to independently prepare the external audit report including all required financial statement disclosures.

Management has informed us they will utilize our technical expertise to assist in preparing the audited financial statements.

To the Board of Education
Oak Park School District
Oak Park, Michigan

4

August 27, 2007

8. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in performing the audit.

This information is intended solely for the use of the board of education, management and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to be of service and would be happy to discuss the foregoing items at your convenience.

Very truly yours,

Maner, Costinison & Ellis, P.C.